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Report of the Secretary-General

Summary

The present report provides an overview of key emerging issues and challenges facing a rapidly urbanizing world. These issues are further analysed in terms of their consequences for attaining the commitments of the Habitat Agenda and relevant internationally agreed development goals. The report highlights some of the key outcomes and activities undertaken by the United Nations Human Settlements Programme (UN-Habitat) to enhance the coordinated implementation of the Habitat Agenda. It assesses key obstacles to more effective response and proposes recommendations for the way forward.

The report recommends that urgent action be taken to mainstream sustainable urbanization and urban poverty reduction in the national development strategies. It calls for the revitalization of National Habitat Committees to mainstream the monitoring and implementation of the Habitat Agenda within national development plans and poverty reduction strategies. It encourages review of macroeconomic policies that favour pro-poor investment in housing and urban development, not only as a means for addressing the social consequences of rapid urbanization, but also for stimulating local economic development and employment generation. This would contribute to achieving the Millennium Development Goals at the city level. The report addresses also the need for a more effective institutional machinery to enhance system-wide coordination and a coherent strategic response by the United Nations system and all Habitat Agenda partners to the multifaceted challenges posed by rapid urbanization and overall implementation of the Habitat Agenda and related internationally agreed development goals. It also recommends that sustainable urbanization be introduced as a standing item of the agenda for the high-level discussions on sustainable development.

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Contents

		Paragraphs	*Page*
I.	Introduction	1	3
II.	Issues and consequences of rapid and chaotic urbanization	2–12	3
III.	Forging a more effective and coordinated response	13-48	4
	A. Harmonizing monitoring and advocacy	15-24	5
	B. Focusing on key determinants of sustainable urbanization and slum prevention	25-32	7
	C. Strategic partnerships	33-34	9
	D. Global-level approach	35	9
	E. Regional-level approach	36-38	9
	F. Country-level approach	39-46	10
	G. Local-level approach	47-48	11
IV.	Leveraging resources	49-56	11
V.	Conclusions and recommendations	57-63	13

I. Introduction

1. The present report has been prepared pursuant to paragraph (c) of Economic and Social Council decision 2006/247.

II. Issues and consequences of rapid and chaotic urbanization

2. The year 2007 marks a turning point in human history. For the first time, half of humanity will be living in towns and cities. This figure is projected to reach two thirds by 2030. This rapid and irreversible progression towards an urban era brings with it many opportunities. Cities, especially in a globalized world economy, are the engines of growth, international trade and commerce, tourism and value-added services.

3. This progression also brings a wide range of social, economic and environmental problems. Urbanization brings about irreversible changes in consumption and production patterns. These changes include the way we use land, water and energy. Urbanization also brings about changes in the quantity and toxicity of the waste we produce. In developed countries, urban growth no longer implies migration of people to cities. It is, however, characterized by urban sprawl and the intensive use of energy. While cities only occupy just over 2 per cent of land, they currently produce 70 per cent of waste and account for an equal proportion of greenhouse gas emissions associated with climate change.

4. However, 95 per cent of urban growth is taking place in developing countries, and 2007 will also be the year in which the global number of slum-dwellers is forecast to reach the 1 billion mark. If current trends continue, this figure will increase by another 400 million by 2020.

5. The vast majority of these 1 billion slum-dwellers, or one out of every three urban dwellers, lives in life-threatening conditions. They lack safe housing, access to water and sanitation, modern energy supply and waste collection and disposal.

6. Two UN-Habitat flagship reports published in 2006 revealed the scale and depth of the challenges facing rapidly urbanizing countries. The first report, entitled *Water and Sanitation in the World's Cities*, revealed that small towns and secondary cities, which are the fastest growing, are the least equipped to meet the water and sanitation needs of their rapidly expanding populations. The lack of planning and investment capacity and the fragility of service provision are major contributing factors to poor health and local pollution.

7. The second flagship report, *The State of the World's Cities Report 2006/2007*, revealed for the first time the true extent of deprivation among the urban poor. The findings of this report are significant on several fronts. They demystify a long-standing assumption that the urban poor, by virtue of their location in better-equipped urban areas, are better off than their rural counterparts. The report provides evidence that living conditions in slums are as bad if not worse than living conditions in impoverished rural areas. Slum-dwellers are just as likely to suffer from hunger, malnutrition and disease as their rural counterparts. Women living in slums run the highest risks of HIV prevalence compared to all other segments of the population. Child mortality in slums is consistently high in all developing countries, even in those countries with concerted policies and strategies for reducing child

mortality. In many slums, especially in sub-Saharan Africa and parts of South Asia, up to 300 people share a single toilet, a situation that has a direct impact on the dignity, safety and health of all the population, particularly of women.

8. Parallel studies on urban safety in slums and deprived neighbourhoods show that crime, drugs, violence and sexual abuse are daily realities which are underreported and overlooked by official statistics. Furthermore, when human and natural disasters strike, the urban poor are disproportionately and adversely affected. Those living in slums and deprived neighbourhoods are, by virtue of their predominant location in precarious or poorly planned areas, the most vulnerable in terms of flooding, landslides and fire hazards.

9. The combination of high levels of unemployment, underemployment and the reliance of the urban poor on monetary means of accessing food and basic services also makes them particularly vulnerable to the income poverty trap and less resilient than their rural counterparts.

10. Two trends that emerge from *The State of the World's Cities Report* are particularly worrisome. The first trend lies in the fact that the global rate of growth of the urban population, estimated at 2.24 per cent, is virtually synonymous with slum growth, which is proceeding at the rate of 2.22 per cent. Regional variations in urban and slum growth are significant, ranging from 0.75 per cent and 0.72 per cent in the developed world, to 2.89 per cent and 2.2 per cent in South Asia, 2.96 per cent and 2.71 per cent in West Asia, and 4.58 per cent and 4.53 per cent in sub-Saharan Africa. These figures could imply nonetheless that a significant portion, if not the vast majority, of people migrating to or born in cities are joining the ranks of the urban poor.

11. The second trend stems from an assessment of progress in attaining the slum upgrading and slum prevention goals. Of more than 100 countries surveyed, only eight countries can be considered on track, having made tangible progress in reversing the rate of slum growth and having reduced the number of slum dwellers. Another 15 countries are making modest headway either in reducing or stabilizing the growth of slums. Fifty of the countries surveyed are off track and continue to witness the rapid proliferation of slums.

12. The implications of the above-mentioned and other findings are clear. We can no longer ignore the urbanization of poverty and deprivation. We do so at the risk of not achieving the internationally agreed development goals on hunger and malnutrition, reproductive health and infant mortality, HIV/AIDS and other diseases, water and sanitation, and gender equality for a significant and increasing portion of the poor. We also do so at the risk of massive social deprivation and exclusion, with all of its attendant consequences for peace, social stability and security.

III. Forging a more effective and coordinated response

13. The conclusions of the above seminal findings on the urbanization of poverty and deprivation led UN-Habitat to refine its role and strategy. Throughout the reporting period, UN-Habitat engaged in the preparation of a medium-term strategic and institutional plan for 2008-2013 involving extensive consultations with development partners, United Nations bodies and member States. The objectives of

this plan are to contribute to United Nations system-wide reform and coherence by enhancing the catalytic and coordinating role of UN-Habitat in the monitoring and implementation of the Habitat Agenda and related internationally agreed development goals.

14. The major thrust of the plan is an integrated approach to support Governments and their development partners in mainstreaming the sustainable urbanization and urban poverty reduction in their respective national plans and development priorities. This involves a harmonized approach to monitoring and advocacy to better inform policy and decision makers; a sharpened focus on key determinants to slum improvement, slum prevention and urban poverty reduction; strategic partnerships within and outside the United Nations system to provide the requisite capacity-building support; and the mobilization and leveraging of international and domestic resources for investing in pro-poor housing and related infrastructure and services.

A. Harmonizing monitoring and advocacy

15. The cross-cutting nature of the issues related to sustainable urbanization and urban poverty reduction go beyond the remit of any single agency. It requires a system-wide approach to monitoring and advocacy to better shape norm-setting and inform decision-making at the global, regional and country levels. During the reporting period, UN-Habitat succeeded in mobilizing, among others, the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the World Bank to agree on a methodology for collecting and analysing data on slums, urban poverty and deprivation. The results of this coordinated approach led to the seminal findings of *The State of the World's Cities Report 2006/2007* as highlighted above. While these and other findings have led to growing global awareness of the scope and depth of urban poverty and slum conditions, progress at the country level needs to be greatly accelerated to meet the human settlements-related and other internationally agreed development goals.

16. An important first step is to harmonize data collection and analysis so as to include the urban dimension in the monitoring of all internationally agreed development goals. Such an approach would fill the existing gap in information on the social, economic and environmental consequences of rapid urbanization, the true dimensions of urban poverty, as well as the spatial location of target groups. This gap has led to one of the key obstacles to implementing the internationally agreed development goals in urban areas, namely, the lack of robust information to guide and inform policies and decision-making and, as a result, poorly planned or inadequate provision of basic services, including water and sanitation, education and health.

17. Filling this information gap would constitute a first step towards more consistent and better-informed normative debate at the global and country levels. At the country level, it would facilitate the task of United Nations country teams to mainstream the urban poverty agenda within the United Nations Development Assistance Framework (UNDAF) process. It would also improve the understanding by Governments and their development partners of the importance of including the urban dimension in their respective national development plans and, where appropriate, Poverty Reduction Strategies (PRSs).

18. At the global level, a harmonized approach to monitoring the social, economic and environmental consequences of urbanization, urban poverty and deprivation would greatly improve advocacy and awareness-building, a key step to the mobilization of partners and resources.

19. That was in part what was achieved by a series of global and high-level regional meetings dedicated to the issues of sustainable urbanization and poverty reduction and slum improvement. At the global level, the fourth session of the World Urban Forum, hosted by the Government of Canada and the City of Vancouver in June 2006, succeeded in convening over 10,000 representatives of governments, local authorities, civil society organizations and the private sector from 156 countries. The Forum, preceded by a World Youth Forum, focused on normative debate, the sharing of actionable ideas, and the exchange of best practices in sustainable urban development.

20. The key outcomes of the World Urban Forum can be summarized as follows:

(a) Coming to terms with the urban age. The Forum recognized that rapid urbanization will require a major reassessment of policies, practices and legislation to address the social, economic and environmental consequences of a predominantly urban world;

(b) From exclusion to engagement — the need to build effective coalitions to address the needs of the urban poor. The Forum recognized the need to engage the urban poor in decisions affecting their livelihoods and to recognize their "right to the city";

(c) Meeting the financing challenge of slum upgrading and sustainable infrastructure development. The Forum acknowledged the gap in the current international and national financial architecture in housing and municipal finance in providing affordable and accessible housing solutions and related basic urban infrastructure and services;

(d) Reinventing planning: applying new paradigms for sustainable and inclusive urban development. The Forum recognized the critical role of central government and local authorities in participatory and inclusive planning to meet the challenges of rapid urbanization. The Forum recommended the promotion of more sustainable patterns of consumption and production by reducing the ecological footprint of cities to mitigate the issues of global environmental challenges, including climate change.

21. Unprecedented media coverage was afforded to this event and continued for several months on the social, economic and environmental challenges facing cities and countries undergoing rapid urbanization.

22. Equally unprecedented was the active participation at the Forum of the United Nations system in a non-summit meeting. Over 20 agencies, regional commissions, programmes and funds, including the World Bank Group and regional development banks, participated actively in 26 events and took the lead in organizing seven events. The Forum thus provided a unique opportunity for engaging in broad-based normative debate and in the exchange of knowledge, expertise and experience.

23. At the regional level, three ministerial meetings on housing and urban development were organized in 2006 in close collaboration with regional commissions. These meetings focused on the mainstreaming of the urban dimension

of implementing the Habitat Agenda and related internationally agreed development goals.

24. Lessons learned from these global and regional forums point to the rising demand for well-structured platforms for addressing the urban dimension of attaining internationally agreed development goals. UN-Habitat is currently revising the architecture of the World Urban Forum to spearhead global advocacy on sustainable urbanization and urban poverty reduction.

B. Focusing on key determinants of sustainable urbanization and slum prevention

25. The efforts of UN-Habitat in the coordinated implementation of the Habitat Agenda are increasingly focused on the slum upgrading target of the United Nations Millennium Declaration,[1] the water and sanitation target of the Johannesburg Plan of Implementation,[2] and slum prevention as recommended by the General Assembly in paragraph 56 (m) of the 2005 World Summit Outcome.[3] These targets provide strategic entry points for addressing the twin goals of the Habitat Agenda, namely "adequate shelter for all" and "sustainable human settlements in an urbanizing world".

26. Five mutually supportive substantive focus areas have been identified in consultation with member States, other United Nations bodies and Habitat Agenda partners. These focus areas correspond to key determinants for addressing the challenge of sustainable urbanization and urban poverty reduction. They are: (a) effective advocacy, monitoring and partnerships; (b) participatory urban planning, management and governance; (c) pro-poor land and housing; (d) environmentally sound basic urban infrastructure and services; and (e) strengthened human settlements finance systems.

27. All of the five focus areas encompass gender, an age-sensitive and a rights-based approach and each focus area is accompanied by objectives and indicators of achievement. These key determinants and focus areas provide a framework that will enable the United Nations system to establish a systemic approach to:

(a) Establishing benchmarks for the monitoring and implementation of the Habitat Agenda and related internationally agreed development goals in urban areas;

(b) Mapping out *who* is doing *what* and *where* in order to identify gaps and overlaps and to enhance programme coordination;

(c) Forging strategic partnerships based on synergies and comparative advantages, especially in terms of providing policy advisory and capacity-building support at the country level.

28. Working arrangements were intensified throughout the reporting period on the provision of basic infrastructure and services in partnership with other United

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[1] See General Assembly resolution 55/2.

[2] Plan of Implementation of the World Summit on Sustainable Development (*Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.)

[3] See General Assembly resolution 60/1.

Nations bodies including the World Bank, particularly through the Cities Alliance, a joint study on cultural rights to the city with the United Nations Educational, Scientific and Cultural Organization, a joint review of best practices in inclusive public administration with the Department of Economic and Social Affairs of the Secretariat, and continued involvement with the World Health Organization on developing health indicators for cities.

29. On the housing front, the United Nations Human Rights Programme (UNHRP), a joint undertaking of the Office of the United Nations High Commissioner for Human Rights, the Advisory Group on Forced Evictions and UN-Habitat, is developing a set of indicators in collaboration with the Committee on Economic, Social and Cultural Rights. These indicators will be applied in the form of a questionnaire to assist member States in reviewing and assessing their respective legislations on issues pertaining to the housing rights of disadvantaged and vulnerable groups.

30. As part of a broader effort to highlight the housing rights of specific vulnerable groups, a report entitled "Indigenous peoples' right to adequate housing: a global review" (HS/734/05E) was published and launched at the fifth session of the Permanent Forum on Indigenous Issues in May 2006. An expert group meeting on urban indigenous people and migration, to be supported by the Government of Canada, is planned for 2007 as a follow-up to this activity. The outcome of this event will be reported on at the sixth session of the Permanent Forum in May 2007. Similar research is planned by the UNHRP on the housing rights of people with disabilities, internally displaced persons and refugees.

31. The Global Land Tool Network has successfully mobilized some 30 United Nations agencies, programmes and funds, bilateral and multilateral donors, researchers and professional associations to address the fundamental issue of land and property rights for the urban poor. This network coordinates resources and expertise in assisting member States and their development partners to develop and apply a range of normative and operational tools and guidelines to improve pro-poor land policies and legislation, and practices in property administration.

32. UN-Habitat organized an inter-agency meeting on urbanization on 6 March 2007 in the context of the High Level Committee on Programmes (HLCP). The meeting recognized that 2007 would mark a turning point in urban trends, with more than half of the world's population living in cities for the first time. As 72 per cent of the African, 46 per cent of the Asian and 33 per cent of the Latin American urban dwellers are living in slum areas with poverty and high unemployment and underemployment rates as well as limited access to basic services, contributing to well-managed cities should be regarded as a priority concern of the entire United Nations system. The meeting thus recommended that a thematic discussion on "urban poverty" or "urbanization: challenges and opportunities" be tabled at a future session of the Chief Executives Board for Coordination (CEB), in order to ensure a coherent strategic response by the United Nations system to the multifaceted challenges posed by rapid urbanization. The meeting also agreed on arrangements for United Nations organizations to collaborate on analytical policy work and to identify opportunities for strengthening joint programmes of work on capacity-building for the reduction of urban poverty, including on "localizing Millennium Development Goals".

C. Strategic partnerships

33. The Habitat Agenda recognizes that the primary responsibility for implementation lies with member States; it further recognizes the front-line role and contribution of local authorities. The bulk of investment in shelter and basic urban infrastructure and services derives, however, from the private sector and individuals. Both these stakeholders require an enabling policy and regulatory framework to meet the challenges of rapid urbanization.

34. The role and contribution of strategic partners at the global, regional and country levels are critical to supporting this effort. While UN-Habitat continues to strengthen partnerships and coalitions with, for example, United Nations bodies, international financial institutions and the Habitat Agenda partners, the aim is to dramatically increase the number of partners and networks engaged in supporting the sustainable urbanization and urban poverty reduction agenda.

D. Global-level approach

35. Global-level activities of UN-Habitat will concentrate on monitoring, advocacy and promoting normative debate, with the ultimate aim of mobilizing a broad constituency of support for sustainable urbanization. Global-level activities will include:

(a) A global campaign for sustainable urbanization to spearhead policy and advocacy work at the global and regional levels and the development of normative tools in support of the monitoring and implementation of the Habitat Agenda and related internationally agreed development goals at the global, regional, national and local levels;

(b) UN-Habitat proposes the convening of an annual round table of international financial institutions to strengthen their global and country strategies by incorporating the sustainable urbanization and urban poverty reduction agenda;

(c) The establishment of a Habitat Agenda task management system within the Environment Management Group (EMG), similar to that developed for Agenda 21. This system will enable all United Nations bodies and Habitat Agenda partners to report in a more coordinated manner on progress in implementing the Habitat Agenda and related internationally agreed development goals;

(d) The strengthening of relations with civil society and other partners by sharing experience and best practices at global meetings such as the World Urban Forum.

E. Regional-level approach

36. Regional approaches will consist of normative, advocacy and knowledge management activities. The regional ministerial meetings on housing and urban development initiated for Africa and the Asia and Pacific region by UN-Habitat in 2006 will continue to promote normative debate on key issues such as

decentralization and other specific regional and subregional issues.[4] UN-Habitat has been reporting the outcome of these regional meetings, including the long-standing, high-level meeting for the Latin American and Caribbean region,[5] to its Governing Council, the Economic and Social Council and the General Assembly.

37. UN-Habitat will engage regional development banks and regional commissions to raise awareness of the slum challenge and promote more sustainable urbanization. The regional approach will also emphasize sharing examples of good practice and lessons learned at the regional and subregional levels.

38. It is proposed that the above institutions collaborate in the preparation and dissemination of regional "State of the Cities" reports as an important information and advocacy tool to supplement UN-Habitat's *The State of the World's Cities Report*.

F. Country-level approach

39. The need for more effective country support has been identified as a priority by the Paris Declaration on Aid Effectiveness and by the United Nations reform process.

40. In response, UN-Habitat proposes an enhanced normative and operational framework that will enable countries to: (a) analyse their respective urbanization conditions and trends; (b) assess the adequacy of their policy, legal and institutional frameworks; and (c) identify priority initiatives to realize more sustainable urbanization.

41. The outcome of the this framework is to have urban issues reflected in national development strategies, poverty reduction strategies and UNDAF.

42. The Enhanced Normative and Operational Framework will respond to the priorities of countries in different development and urbanization contexts, ranging from countries in which the urbanization process has stabilized to countries in which the process is rapid and chaotic, to countries that have suffered a setback due to natural disaster or conflict.

43. It is proposed that the Enhanced Normative and Operational Framework be implemented through a phased roll-out. This roll-out will be consistent with United Nations reform at the country level starting with, for example One United Nations Pilot Countries. It will also be based on demand, guided by clear engagement criteria and regular evaluations.

44. It is proposed that Governments revitalize the broad-based Habitat National Committees that were originally established for the 1996 United Nations Conference on Human Settlements (Habitat II) and the five-year review of the implementation of the outcome of Habitat II (twenty-fifth special session of the General Assembly) to have an inclusive process in developing their national urban development strategies.

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[4] These include the African Ministerial Conference on Housing and Urban Development, the All Africa Ministerial Conference on Decentralization and Local Development and the Asia-Pacific Ministerial Conference on Housing and Urban Development.

[5] The General Assembly of Ministers and Maximum Authorities of Housing and the Urban[illegible] of the Latin American and the Caribbean Countries.

45. Where urban issues are well recognized, the objective will be to mobilize United Nations bodies and Habitat Agenda partners to develop a comprehensive country programme focusing on capacity-building in support of systemic reforms that will realize positive impacts at scale.

46. Finally, in situations in which the United Nations system is called upon to assist Governments to respond to natural disasters or conflicts, the Enhanced Normative and Operational Framework will be initiated through the appropriate clusters of the Inter-Agency Standing Committee.

G. Local-level approach

47. UN-Habitat will continue to build on its comparative advantage within the United Nations system in working with local authorities. It has continued to work closely with United Cities and Local Governments (UCLG) in for example, finalizing Guidelines on Decentralization and Strengthening of Local Authorities and in supporting the establishment of a global observatory of local democracy and decentralization as a mechanism to monitor progress made in the implementation of the Habitat Agenda.

48. A related role for UN-Habitat will be to strengthen working relations between the Governments and the Habitat Agenda partners — particularly communities, civil society, the private sector, local authorities and central governments — to help align efforts to achieve sustainable urbanization-related goals.

IV. Leveraging resources

49. One result of misinformed or misguided public policy regarding rapid urbanization is that investments in housing and basic urban infrastructure and services lag way behind demographic growth and the physical expansion of towns and cities. This is especially the case with smaller cities and towns in developing countries that are growing the fastest and are particularly disadvantaged in terms of human and financial capacities to meet the needs of rapid growth.

50. An analysis of national development plans and budgets among rapidly urbanizing countries reveals that, with few exceptions, housing and urban development rank among the lowest in terms of national budgetary allocations and public expenditure. While the bulk of resources devoted to housing and urban development typically comes from the private sector, public policy and public expenditure in urban infrastructure and services are critical to leveraging private investment and to providing the necessary incentives for interventions targeting the urban poor.

51. A similar role in guiding public policy and leveraging public and private investment can be attributed to official development assistance (ODA). The estimated investment required to attain Millennium Development Goal 7, target 11, on slum upgrading and to prevent the future formation of slums is estimated at US$ 20 billion per year for the period 2005-2020. Lessons learned from successful slum-upgrading initiatives show that up to 80 per cent of these resources can be met by leveraging public expenditures with domestic capital and the efforts of the slum-

dwellers themselves. This implies a financing gap of US$ 4 billion per annum which could be covered by ODA. Yet ODA to the urban sector has remained largely stagnant in real terms for the past decade, and is currently estimated at US$ 2 billion per annum, only a fraction of which is targeted to pro-poor housing and urban development.

52. Given the above situation, a key priority of UN-Habitat continues to be the strengthening of its pre-investment role and demonstrating the macroeconomic advantages of investing in slum upgrading and pro-poor housing and basic urban infrastructure and services. UN-Habitat does so by increasingly packaging its policy and capacity-building activities with a view to mobilizing domestic and international follow-up investment.

53. This approach is based on lessons learned from the Water and Sanitation Trust Fund and the Slum Upgrading Facility. The Water and Sanitation Trust Fund leveraged an initial investment of US$ 1 million by the United Nations Habitat and Human Settlements Foundation to mobilize close to $50 million in policy, advocacy and pre-investment capacity-building. This, in turn, has catalysed over $1.5 billion in follow-up investments by regional development banks and other international financial institutions. The main outcome of the initiative has been a fast-track approach to needs assessment, capacity-building and follow-up investment in attaining the water and sanitation-related internationally agreed development goals in small cities and towns in Africa and Asia.

54. The current pilot phase of the Slum Upgrading Facility has a similar aim, focusing on pro-poor housing and urban infrastructure and targeting the mobilization of domestic capital. It combines technical assistance with seed capital, on a grant or reimbursable loan basis, to reduce the risks perceived by domestic financial institutions and the private sector in investing in pro-poor housing and urban development.

55. The lessons learned to date from both these initiatives are very positive. But they also point to the urgent need to address structural problems at the national level, including the need to:

(a) Review macroeconomic policies that favour investment in pro-poor housing and urban development, not only as a means of addressing the social consequences of rapid urbanization, but more importantly as a major means of stimulating local economic development and employment generation. This review should also include the need for more enabling policies and strategies that help to realize the full potential of the informal economy, of which slums are a physical manifestation;

(b) Develop and apply innovative financial systems, based in part on the successful track record and experience of community-based microcredit facilities, to enable the urban poor to access housing credit. This will require the promotion of financial policies that recognize the differentiated needs of the urban poor for long-term credit for land acquisition and short-term credit for construction;

(c) Strengthen the financial base and capacities of local authorities to expand the supply of serviced land and to target the provision of basic urban services to the urban poor. This includes the need to revise the regulatory frameworks for service providers to enable provision of services to slums and informal settlements.

56. In parallel, urgent action is also required at the global level to revise and rechannel the flow of ODA in support of pro-poor housing and urban development in a more predictable way, in order for recipient countries to plan for the necessary increment in public investments so that additional resources can be used effectively once they become available. A key starting point includes working with bilateral and multilateral organizations to monitor overall funding levels for sustainable urbanization and urban poverty reduction.

V. Conclusions and recommendations

57. **Towns and cities are growing rapidly, faster than ever before in human history. In 1950, one third of the world's people lived in cities. Today, half of the world's population lives in cities and towns. It is expected that this share will continue to rise to two thirds, or 6 billion people, by 2050. The scale and pace of this growth is creating unprecedented social, political, cultural and environmental challenges that must be addressed by the global community. At the same time, the bulk of urban growth that is occurring in rapidly urbanizing developing countries is being absorbed in life-threatening slums. This urbanization of poverty poses a direct challenge for the implementation of the Habitat Agenda and the attainment of internationally agreed development goals.**

58. **Governments are encouraged to review macroeconomic policies that favour investment in pro-poor housing and urban development, not only as a means of addressing the social consequences of rapid urbanization, but more importantly as a major means of stimulating local economic development and employment generation and contributing to the achievement of the Millennium Development Goals at the city level. This review should also include the need for more enabling policies and strategies that help to realize the full potential of the informal economy, of which slums are a physical manifestation.**

59. **Governments are encouraged to take urgent action to mainstream the sustainable urbanization and urban poverty reduction agenda in their national development strategies, poverty reduction strategies and UNDAF processes at all levels. It is therefore recommended that urban poverty reduction be integrated in the monitoring of progress in the attainment of all internationally agreed development goals, including equal access to land, shelter, water and sanitation, and so forth.**

60. **Most of the urban dwellers of the developing countries are living in slum areas with poverty and high unemployment and underemployment rates as well as limited access to basic services. Contributing to well-managed cities should be regarded as a priority concern of the entire United Nations system and all Habitat Agenda partners. That would ensure a coherent strategic response by the United Nations system to the multifaceted challenges posed by rapid urbanization. Collaboration should be encouraged among all the Habitat Agenda partners on analytical policy work and to identify opportunities for strengthening joint programmes of work on capacity-building for the reduction of urban poverty, including on "localizing Millennium Development Goals".**

61. **While progress continues in the coordinated implementation of the Habitat Agenda and related internationally agreed development goals, a**

dedicated system and institutional machinery for reporting and enhancing programme coordination is lacking. It is therefore recommended that a task manager system, similar to the one used for Agenda 21, be established within the EMG.

62. **The most urgent action needs to be taken at the country level in policy and institutional reform, capacity-building and investment, involving a wide range of partners and stakeholders. Coordinated and enhanced support by the international community to member States also requires coordination at the country level. It is therefore recommended that member States revitalize broad-based National Habitat Committees that were established for the preparations of the Habitat II Conference and the five-year review of the implementation of the outcome of Habitat II (twenty-fifth special session of the General Assembly), to develop inclusive sustainable urban development strategies.**

63. **The world enters into an urban era at the same time that the United Nations is engaged in system-wide reform and coherence. This coincidence represents a unique opportunity to strengthen working arrangements and programme coordination to meet the social, economic and environmental consequences of rapid urbanization. It is therefore recommended that sustainable urbanization be introduced as a standing item of the agenda for the high-level discussions on sustainable development.**